Cap Gemini Sogeti University

# IT Markets and Competitors

Seminar May 12-14, 1992
Château de Béhoust

## IT Market Information Importance

Tuesday, May 12

Presentation by
Sylvie Bénech
Operations Manager
INPUT—France

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# IT Markets and Competitors

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Château de Béhoust

## Overview of IT Services Markets and Trends

Wednesday, May 13

Presentation by
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# IT Markets and Competitors

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## Workshops:
## Attendees Perception of Their Markets

Wednesday, May 13

Questionnaire

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# IT Markets and Competitors

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## Key Issues to Consider

Thursday, May 14

Presentation by
Sylvie Bénech
and
Roger Fulton

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## European Services Market Characteristics

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Presentation by
Roger Fulton
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# Market Characteristics

- Country markets
- Vertical markets (industry sector)
- Product sectors (delivery modes)

E-MS-4

Notes

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# Regional Heritage

- North Europe
  - Processing services
- Mid-Europe
  - Professional services
- South Europe
  - Software products

E-MS-5

Notes

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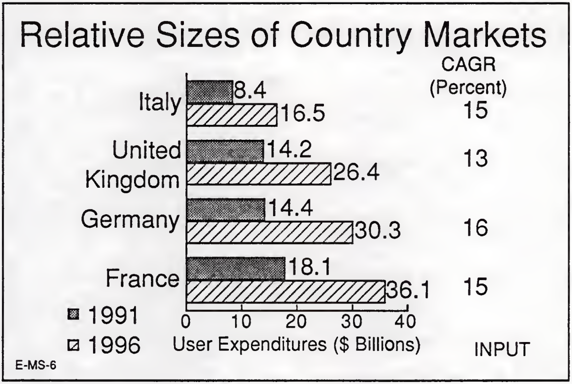
Relative Sizes of Country Markets
CAGR (Percent)
Italy
8.4
16.5
15
United Kingdom
14.2
26.4
13
Germany
14.4
30.3
16
France
18.1
36.1
15
1991
1996
0
10
20
30
40
User Expenditures ($ Billions)
INPUT
E-MS-6

Notes

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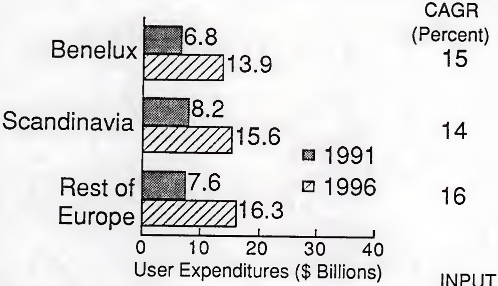
# Relative Sizes of Country Markets




INPUT

E-MS-7

Notes

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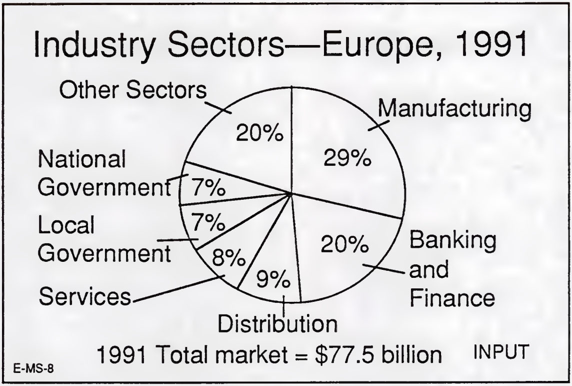
Industry Sectors—Europe, 1991
Other Sectors
20%
Manufacturing
29%
National Government
7%
Local Government
7%
8%
Services
9%
Distribution
20%
Banking and Finance
1991 Total market = $77.5 billion
INPUT
E-MS-8

Notes

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# Industry Sector Variables

- Europe/global market
- Recession
- Eastern Europe
- Aging population
- Downsizing
- Outsourcing

E-MS-9

Notes

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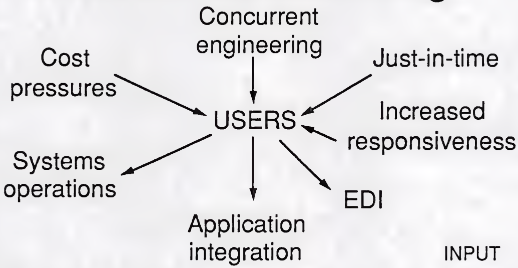
User Pressures, Europe

## Discrete Manufacturing

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E-VM-86

Notes

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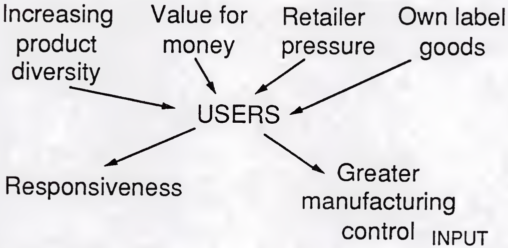
User Pressures, Europe

# Process Manufacturing




E-VM-87

Notes

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## Key Distribution Industry Trends, Europe

- Electronic commerce favored
- Retailers bypass wholesalers
- Downsizing limits IS spending
- Equipment vendors lead market

E-CT-1 INPUT

Notes

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# Key Banking Issues and Trends

- World banking crisis
- Retrench versus diversify
- IS spending pause
- Banking mergers
- IS vendor consolidation
- Outsourcing

INPUT

E-VM-88

Notes

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# Insurance User Pressures, Europe

- Integrating acquired business
- Internal resistance to change
- Old products (insurance)
- Lack of trained staff

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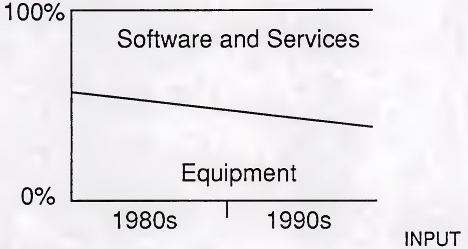
E-VM-89

Notes

# IT Spending Patterns




E-IS-14

Notes

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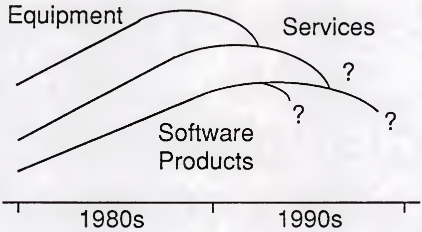
# Waves of IT Spending

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E-IS-15

Notes

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# Delivery Mode Trends

- Network services—Continuing explosive growth
- Systems operations—Long-term business partnerships
- Systems integration—Prime contractors seek account control

INPUT

E-CT-2

Notes

# Delivery Mode Trends

- Processing services—Specialized applications drive development
- Application solutions—Pan-European integration challenge
- Systems software products—Downsizing drives down growth

INPUT

E-CT-3a

Notes

# Delivery Mode Trends

- Professional services—Competitive pressure increases
- Equipment services—Multivendor maintenance and environmental services grow

INPUT

E-CT-3b

Notes

# Competitor Trends

- Equipment manufacturers
- Management consultants
- Telecommunication companies
- Product distributors
- Software vendors

E-CT-4

INPUT

Notes

Trends

# Equipment Vendors

- Systems integration
- Services products
- Environmental services
- Reducing costbase
- Alliances/acquisitions

INPUT

E-CT-5

Notes

Trends

# Management Consultants

- Full-service versus boutique
- IT skills dominant
- Management advice + implementation
- Competing on price

INPUT

E-CT-6

Notes

Trends

# Telecom Companies

- Deregulation and re-regulation
- Systems integration/alliances
- Pan-Europe network services
- Network-intensive applications

INPUT

E-CT-7

Notes

Trends

# Product Distributors

- Added-value desktop services
- Pan-European alliances
- Corporate/multinational sales
- Desktop applications support

E-CT-8

INPUT

Notes

Trends

# Software Products Vendors

- Added-value software services
- Pan-European applications
- Corporate/multinational sales
- Direct aftermarket control

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E-CT-9

Notes

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## Professional Services Markets

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# Professional Services Markets

- Business cultures
- Consultancy and software development/maintenance
- Systems integration
- Systems operations

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E-PF-9

Notes

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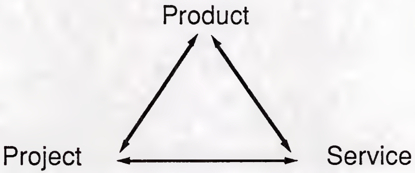
# Conflicting Business Cultures




INPUT

E-PF-10

Notes

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# IT Product Culture

- Amortized development costs
- Very controlled product changes
- High sales and marketing costs
- "Fast" delivery/revenue
- Embody knowledge and innovation in duplicated product

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E-IS-10

Notes

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# IT Project Culture

- Custom costing per project
- Profit from change management
- Work-in-progress, phased payments, completion deadlines
- Supply knowledge and innovation in customers' system

INPUT

E-IS-11

Notes

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# IT Services Culture

- "Fixed" price for level of service guarantee
- Customer perception of response time is critical
- Crisis and team management
- Profit in long-term cost reduction

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E-IS-12

Notes

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# Professional Services Market
# Western Europe

| Subsector | 1991 ($ Billions) | '91-'96 CAGR (%) | 1996 ($ Billions) |
|---|---|---|---|
| Consulting | 3.3 | 17 | 7.1 |
| Educ. and Training | 2.6 | 14 | 5.1 |
| Software Develop. | 18.8 | 16 | 39.7 |

INPUT

E-PF-11

Notes

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# Custom Software Projects Drivers

- Rising board-level awareness
- Growing project complexity
- New software technologies
- Client's staff shortages
- Improved quality and standards

INPUT

E-AD-13

Notes

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# Custom Software Projects Inhibitors

- Recessionary budget cuts
- Growing popularity of packages
- Slow quality improvement
- High staff training costs

E-AD-14

INPUT

Notes

5/6/92

# SI Market—Europe

| Subsector | $ Billions 1991 | '91-'96 CAGR (%) | 1996 |
|---|---|---|---|
| Equipment | 1.3 | 15 | 2.6 |
| Applications SW | 0.1 | 27 | 0.4 |
| Sys. Software | 0.1 | 21 | 0.2 |
| Services | 1.8 | 21 | 4.6 |

INPUT

E-SI-70

Notes

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# Major Purchasing Influence SI, Europe 1991

| Major Influence | Share of Market (Percent) |
|---|---|
| CEO or End User Director | 60 |
| IS Director or Manager | 38 |
| Consultants | 2 |

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E-SI-71

Notes

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# Vendor Selection Criteria—SI

- Strategic advice capability
- Industry knowledge
- Ability to offer applications software product approach
- Experience/suitability of consultants

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E-SI-72

Notes

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## SI Success Factors

- User responsible for delivering business benefits
- IS department manages user/vendor interface
- Constant monitoring of prime contractor
- Interfaces at all levels

INPUT

E-SI-73

Notes

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# SI Failure Factors

- Vendor has direct interface to end user
- High levels of commercial uncertainty
- Lack of adequate change management

INPUT

E-SI-74

Notes

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# Systems Integration Market Trends

- Downsizing
  - Projects
  - Timescales
- Faster payback
- Risk management improving
- Embraced by equipment vendors

INPUT

E-SI-75

Notes

5/6/92

# Systems Operations Market
# Europe

| Subsector | 1991 | '91-'96 CAGR (%) | 1996 |
|---|---|---|---|
| | $ Billions | | |
| Platform Oper. | 0.8 | 19 | 2.0 |
| Application Oper. | 0.6 | 22 | 1.8 |

E-SO-53

INPUT

Notes

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# Impact of Recession on SO

| | Percent of Vendors |
|---|---|
| Negative | 0 |
| Neutral | 57 |
| Positive | 43 |

E-SO-54

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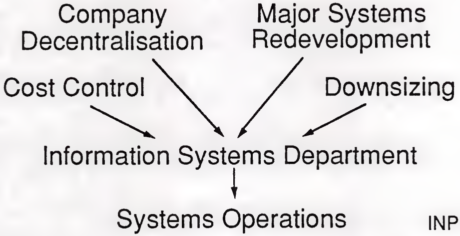
# User Pressures/ Market Drivers




INPUT

E-SO-43

Notes

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# Key Vendor Selection Criteria Systems Operations

- Industry knowledge
- Business consultancy skills
- Development capability
- Vendor independence

INPUT

E-SO-55

Notes

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# SO User Reactions

- Likes
  - Improvements in service levels
  - Breadth of vendor expertise
- Dislikes
  - Minor operational service problems
  - Poor communication

INPUT

E-SO-56

Notes

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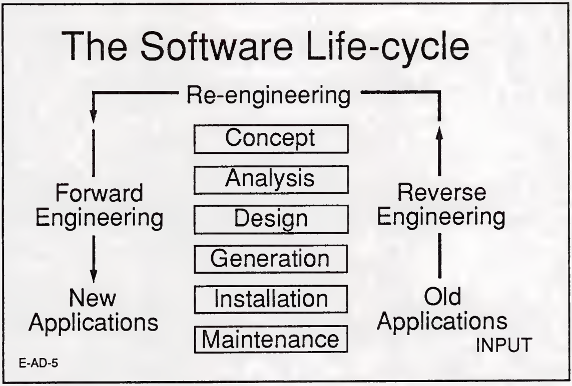
# SO Market Trends

- Increasing market for transition management
- AS/400s become subject to systems operations
- Development of existing client base beyond renewal

INPUT

E-SO-57

Notes


The Software Life-cycle
Re-engineering
Concept
Analysis
Design
Generation
Installation
Maintenance
Forward Engineering
New Applications
Reverse Engineering
Old Applications
INPUT
E-AD-5

Notes

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# IT Markets and Competitors

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## Competitive Analysis

Thursday, May 14

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# Competitive Factors

- Heritage and reputation
- Financial and management strength
- Market focus and customer base
- Products and services
- Strategic direction

E-MF-30

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Notes

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Europe

# Leading Vendors Software and Services

| | 1991 ($B) | 1991 Ranking | 1990 Ranking |
|---|---|---|---|
| IBM | 5.3 | 1 | 1 |
| Digital | 1.7 | 2 | 5 |
| Siemens-Nixdorf | 1.7 | 3 | 2 |

E-MF-19a

INPUT

Notes

5/6/92

Europe

# Leading Vendors Software and Services

| | 1991 ($B) | 1991 Ranking | 1990 Ranking |
|---|---|---|---|
| CAP Gemini Sogeti | 1.7 | 4 | 3 |
| Andersen Consulting | 0.9 | 7 | 8 |
| Groupe Bull | 0.8 | 8 | 6 |

INPUT

E-MF-19b

Notes

5/6/92

Europe

# Leading Independent Vendors Software and Services

| | 1991 ($B) | 1991 Ranking | 1990 Ranking |
|---|---|---|---|
| CAP Gemini Sogeti | 1.7 | 1 | 1 |
| Andersen Consulting | 0.9 | 4 | 3 |
| EDS | 0.7 | 5 | 21 |

INPUT

E-MF-20a

Notes

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Europe

# Leading Independent Vendors Software and Services

| | 1991 ($B) | 1991 Ranking | 1990 Ranking |
|---|---|---|---|
| Sema Group | 0.7 | 6 | 5 |
| Finsiel | 0.7 | 8 | 6 |
| Sligos | 0.8 | 9 | 8 |

INPUT

E-MF-20b

Notes

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Information Services, Europe

# Market Shares by Vendor Type

| Vendor Type | 1980 (%) | 1991 (%) |
|---|---|---|
| Telecom | - | 1 |
| Software Products | 9 | 13 |
| Professional Services | 18 | 38 |
| Processing Services | 31 | 3 |
| Network Services | - | 1 |

INPUT

E-MF-21

Notes

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Information Services, Europe

# Market Shares by Vendor Type

| Vendor Type | 1980 (%) | 1991 (%) |
|---|---|---|
| Equipment Vendor | 39 | 35 |
| Independent Maint. | - | 2 |
| Product Distribution | - | 1 |
| Mgmt. Consultancy | 3 | 7 |

INPUT

E-MF-22

Notes

5/6/92

# Andersen Consulting

| | |
|---|---|
| Heritage | Professional services |
| | Large body of IT skill |
| | Strong graduate development culture |
| Focus | Business integration |
| | Full service capability |

INPUT

E-MF-31

Notes

5/6/92

# Andersen Consulting

| | |
|---|---|
| Strength | Major projects ability |
| | Proven methodologies |
| | Business—IT skill spread |
| | Board-level contacts |
| Direction | Systems management |
| | Multinationals and public sector |
| | Organic growth |

INPUT

E-MF-32

Notes

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# EDS

| | |
|---|---|
| Heritage | GM subsidiary |
| | Systems operations |
| | Acquired SD-Scicon/GFI |
| Focus | Systems management (SO + SI) |
| | UK, France, Benelux |
| | Key industry accounts |

INPUT

E-MF-33

Notes

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# EDS

| | |
|---|---|
| Strength | Networks and network management |
| | Huge data centres |
| | Management and technical skills |
| Direction | Large, long-term contracts |
| | Vertical app's management (e.g., auto and banking) |

INPUT

E-MF-34

Notes

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# IBM

| | |
|---|---|
| Heritage | Largest vendor worldwide |
| | Seeking margin from software and services |
| | Overmanned, loss-making |
| Focus | Customer solutions via SI |
| | Consultancy marketing |
| | Vendor partnerships |

INPUT

E-MF-35

Notes

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# IBM

| | |
|---|---|
| Strength | Reputation as “safe” buy |
| | Management controls |
| | Mainframe client base |
| | Product distribution channels |

INPUT

E-MF-36a

Notes

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# IBM

| | |
|---|---|
| Direction | S/W, services and prime contract for 'enterprise' customers |
| | Minority shares in key partners |
| | Pan-Europe vertical focus |

INPUT

E-MF-36b

Notes

5/6/92

# CGS

| | |
|---|---|
| Heritage | $2B European leader<br>Professional IT services<br>Autonomous consulting group |
| Focus | Acquisition of strong players<br>Industry sector strategies<br>Gemini Consultancy synergy<br>Quality and CASE investment |

INPUT

E-MF-37

Notes

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# CGS

Strength | Acquisition management
Highly distributed business
Europe-wide coverage
Long experience of fixed price

E-MF-38a

INPUT

Notes

5/6/92

# CGS

Direction | Global player
Professional business services
"Responsibility" contracts
Assessing small businesses

INPUT

E-MF-38b

Notes

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# Competitor Profile

| | |
|---|---|
| Heritage | |
| Focus | |
| Strength | |
| Direction | |

E-MF-39

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Notes

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Professional Services, Europe, 1990

# Leading Vendors

| Vendor | Origin | Sector ($M) |
|---|---|---|
| Cap Gemini Sogeti | France | 985 |
| IBM | U.S. | 950 |
| Sema Group | France | 420 |
| Digital | U.S. | 370 |
| Andersen Consulting | U.S. | 360 |

E-MF-23

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Notes

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Professional Services, Europe, 1990

# Leading Vendors

| Vendor | Origin | Sector ($M) |
|---|---|---|
| Volmac | Nether. | 340 |
| Finsiel | Italy | 290 |
| Olivetti Info. Sys. | Italy | 250 |
| Unisys | U.S. | 210 |
| Bull | France | 205 |

INPUT

E-MF-24

Notes

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Professional Services, Europe, 1990

# Leading Vendors

| Vendor | Origin | Sector ($M) |
|---|---|---|
| AB Programator | Sweden | 195 |
| BSO | Nether. | 175 |
| Axime | France | 165 |
| ICL | U.K. | 155 |
| Price Waterhouse | U.S. | 150 |

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E-MF-25

Notes

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Systems Integration, Europe, 1990

# Leading Vendors

| Vendor | Origin | Sector ($M) |
|---|---|---|
| Cap Gemini | France | 330 |
| IBM | U.S. | 320 |
| Andersen Consulting | U.S. | 300 |
| Siemens-Nixdorf | Germany | 110 |
| Logica | U.K. | 90 |

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E-MF-26

Notes

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Systems Integration, Europe, 1990

# Leading Vendors

| Vendor | Origin | Sector ($M) |
|---|---|---|
| SD-Scicon | U.K. | 90 |
| Sema Group | France | 85 |
| ICL | U.K. | 65 |
| Unisys | U.S. | 60 |
| Bull | France | 50 |

E-MF-27

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Notes

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Systems Operations, Europe, 1990

# Leading Vendors

| Vendor | Origin | Sector ($M) |
|---|---|---|
| Cap Gemini Sogeti | France | 160 |
| EDS | U.S. | 120 |
| SD-Scicon | U.K. | 75 |
| Finsiel | Italy | 60 |
| GSI | France | 45 |

E-MF-28

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Systems Operations, Europe, 1990

# Leading Vendors

| Vendor | Origin | Sector ($M) |
|---|---|---|
| Sema Group | France | 45 |
| Data Sciences | U.K. | 40 |
| CSC | U.S. | 35 |
| AT&T Istel | U.S. | 30 |
| CISI | France | 30 |

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# IT Market Information Importance

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# Overview of IT Services Markets and Trends

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# Workshops: Attendees Perception of Their Markets

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Questionnaire



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# Key Issues to Consider

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PROFESSIONAL
SERVICES
MARKETS

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# Professional Services Markets

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# COMPETITIVE

# ANALYSIS

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# Competitive Analysis

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# European Services Market Characteristics

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